
Reference Number:	2007-7-6
Category of Finding:	Matching, Level of Effort, and Earmarking
State Administering Department:	Department of Aging (Aging)
Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Numbers and Years:	06AACAT3SP;2006 07AACAT3SP;2007

Federal Catalog Number:	93.045
Federal Program Title:	Special Programs for the Aging—Title III, Part C—Nutrition Services
Federal Award Numbers and Years:	06AACAT3SP;2006 07AACAT3SP;2007

Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program
Federal Award Numbers and Years:	06AACANSIP;2006 07AACANSIP;2007

Criteria

Title 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.20, Standards for Financial Management Systems

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Condition

Aging lacks adequate policies and procedures to provide reasonable assurance that matching, level of effort, and earmarking requirements are met for the programs it administers using only allowable funds or costs that are properly calculated and valued. Specifically, Aging does not have an official written policy that outlines factors such as its methods of valuing matching requirements and the allowable costs that may be claimed. According to its budget officer, a policy manual does not exist for the budgetary process. Thus, the budget unit does not have documented controls that it uses during the planning process that would ensure Aging's compliance with these requirements. Further, the

accounting section does not have written policies and procedures that include the review and approval of its calculations and the amounts reported to the federal government. Although we found that Aging met its requirements, the absence of controls hinders its ability to prevent errors or detect early any errors that may exist.

Questioned Costs

Not applicable.

Recommendation

Aging should establish written policies and procedures to ensure that it complies with the matching, level of effort, and earmarking requirements of the programs it administers.

Department's View and Corrective Action Plan

While Aging has complied with all matching, level of effort, and earmarking requirements, we do not have a written procedure manual that fully documents these processes across the Department. To meet matching requirements, States must contribute at least 25 percent of the cost of the State Plan, all services must be funded by a non-Federal match of 15 percent, and Area Agencies must contribute at least 25 percent of the costs of administration of area plans. To comply with level of effort requirements, State Agencies must spend for both services and administration at least the average amount of State funds it spent for the three previous years. Earmarking specifies a limit for the overall expenditures for administration, allowable program transfers, and Area Agencies earmark portions of their allotment.

To provide reasonable assurance that the above matching, level of effort, and earmarking requirements are met, Aging is compiling written desk procedures that document the underlying policies and the steps taken by Budgets, Accounting, and Program pre-, during-, and post-award. The procedures will also include the methods and calculations that are necessary to meet federal and state laws and regulations and provide for review and approval of the calculations to prevent and detect errors.

Reference Number:	2007-8-4
Category of Finding:	Period of Availability
State Administering Department:	Department of Aging (Aging)
Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Number and Year:	07AACAT3SP;2007

Criteria

Title 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.23, Period of Availability of Funds

- (a) General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.
- (b) Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee.

Condition

During our review, we noted two federal drawdowns that were not related to obligations for the federal fiscal year 2007 award. Specifically, according to its accounting manager, two executive orders were issued that required Aging to adjust the appropriation of the California Commission on Aging (commission) for fiscal year 2004. In January 2005 and March 2005, appropriation adjustments totaling \$9,195 were made by the State Controller's Office for the commission. Aging charged the federal drawdown to the award period of October 1, 2006, to September 30, 2007. However, the obligations for the adjustments occurred before the period of availability for the federal fiscal year 2007 award. Moreover, although the funds were received in October 2007, Aging has not disbursed the funds to the commission as of January 31, 2008.

Questioned Costs

\$9,195

Recommendation

Aging should establish policies and procedures to ensure that obligations are established and liquidated within the period of availability.

Department's View and Corrective Action Plan

Aging concurs with the findings of the audit and is writing step-by-step procedures that will include the federal and state requirements that guide the process and critical cross checks to ensure correct work. The procedures will also establish verification and independent review prior to department sign off to

ensure that drawdowns tie to appropriate expenditures and fiscal years. Training on the procedures will be provided to both staff and reviewers. These procedures will provide reasonable assurance that the error cited in the audit will not reoccur.

Reference Number:	2007-12-7
Category of Finding:	Reporting
State Administering Department:	Department of Aging (Aging)
Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Numbers and Years:	06AACAT3SP;2006 07AACAT3SP;2007

Federal Catalog Number:	93.045
Federal Program Title:	Special Programs for the Aging—Title III, Part C—Nutrition Services
Federal Award Numbers and Years:	06AACAT3SP;2006 07AACAT3SP;2007

Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program
Federal Award Numbers and Years:	06AACANSIP;2006 07AACANSIP;2007

Criteria

Title 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.20, Standards for Financial Management Systems

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (3) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (4) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Title 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.41(a)(3), Financial Reporting

- (a) General. (1) Except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for:
 - (i) Submitting financial reports to Federal agencies, or
 - (ii) Requesting advances or reimbursements when letters of credit are not used.
- (b) Financial Status Report—(1) Form. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with Section 92.41(e)(2)(iii).
- (c) Federal Cash Transactions Report—(1) Form. (i) For grants paid by letter of credit, Treasury check advances or electronic transfer of funds, the grantee will submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272a, unless the terms of the award exempt the grantee from this requirement.

Condition

Aging lacks adequate policies and procedures to provide reasonable assurance the SF-269, Financial Status Report and Administration on Aging Supplemental Form, and the PSC-272, Federal Cash Transaction Report, it submits to the federal government include all activities, are supported by accounting records, and are fairly presented. Specifically, Aging does not have a written policy that establishes responsibility for reporting, provides the procedures for periodic monitoring of due dates, and verifies the report content. For example, Aging's former accounting manager was the only person who was knowledgeable about its reporting process. Because of our inquiries, she was asked to document the reporting process, and we were provided with a "draft" version of the procedures. Without the establishment of policies and procedures, Aging is unable to prevent errors or detect early any errors that may exist in its reports. For example, although it did not affect the totals reported, we found a few errors in the underlying documentation used by the accounting manager to prepare the report.

Questioned Costs

Not applicable.

Recommendation

Aging should establish policies and procedures to ensure that its SF-269 and PSC-272 reports include all activities, are supported by accounting records, and are fairly presented.

Department's View and Corrective Action Plan

Aging acknowledges the lack of written procedures pertaining to forms SFR-269, Financial Status Report and Administration Aging Supplemental Form, and PSC-272, Federal Cash Transaction Report. Whereas the templates for these reports do include imbedded instructions, Aging recognizes its responsibility for start-to-finish procedures that cover the entire completion, verification and submittal process. Therefore, Aging is establishing procedures that include step-by-step methods, accounting backup and tie-points, and a protocol for review and approval. Once these are in place, Aging will have reasonable assurance that the SFR-269 and PSC-272 submittals are accurate, supported by accounting records, and fairly presented.

Reference Number:	2007-14-2
Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program (NSIP)
Federal Award Number and Year:	07AACANSIP;2007
Category of Finding:	Special Tests and Provisions
State Administering Department:	Department of Aging (Aging)

Criteria

TITLE 42—THE PUBLIC HEALTH AND WELFARE, CHAPTER 35—PROGRAMS FOR OLDER AMERICANS, SUBCHAPTER III—GRANTS FOR STATE AND COMMUNITY PROGRAMS ON AGING, Section 3030a(d), Option to Obtain Commodities From Secretary of Agriculture

- (4) Each State agency shall promptly and equitably disburse amounts received under this subsection to recipients of grants and contracts. Such disbursements shall only be used by such recipients of grants or contracts to purchase United States agricultural commodities and other foods for their nutrition projects.

Condition

Aging lacks adequate procedures to provide reasonable assurance that cash received in lieu of commodities is distributed equitably. Although its policy states that NSIP funding to subrecipients is based on the number of meals served in the prior year in proportion to the meals served statewide, Aging does not have documentation of the procedures that it follows to ensure that cash received in lieu of commodities is distributed equitably to subrecipients. We also found that it lacks adequate segregation of duties. Specifically, its budget officer is responsible for preparing the annual allocation of NSIP funds to the subrecipients. However, there is no supervisory review and approval of the budget officer’s calculation of the allocation. Although we found no errors in the calculation, the lack of adequate procedures and segregation of duties hinders Aging’s ability to prevent errors or detect early any errors that may exist in the allocation.

Questioned Costs

Not applicable.

Recommendation

Aging should establish procedures for handling cash received in lieu of commodities for the Nutrition Services Incentive Program to ensure that it distributes the funds equitably.

Department's View and Corrective Action Plan

While Aging has distributed the NSIP cash in lieu of commodities equitably according to requirements, we acknowledge the lack of documented procedures for this activity. Therefore, Aging is establishing written procedures that outline the process, including validation of the calculations, and providing for a sign-off procedure to verify that the time periods are correct and the methodologies have been followed.
